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TREASURY DEPARTMENT
UNITED STATES INTERNAL REVENUE

U.S. Internal Revenue Service

REGULATIONS 58

RELATING TO

TAX ON THE ISSUANCE OF
INSURANCE POLICIES

UNDER

SECTIONS 503, 504, OF THE
REVENUE ACT OF 1918

(Public No. 254, 65th Cong., H. R. 12863)



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TAX ON ISSUANCE OF INSURANCE POLICIES.

IMPOSITION OF TAX.

SEC. 503. That from and after April 1, 1919, there shall be levied, assessed, collected, and paid, in lieu of the taxes imposed by section 504 of the Revenue Act of 1917, the following taxes on the issuance of insurance policies, including, in the case of policies issued outside the United States (except those taxable under subdivision 15 of Schedule A of Title XI), their delivery within the United States by any agent or broker, whether acting for the insurer or the insured; such taxes to be paid by the insurer, or by such agent or broker.

ARTICLE 1. **Use of terms.**—When used in these regulations, unless obviously inapplicable, the term “act” means the Revenue Act of 1918; the term “person” includes partnerships, corporations, and associations, as well as individuals; the term “insurer” includes any person, partnership, corporation, or association transacting the business of insuring and also any agent or broker; the term “insurance” includes all manner of providing indemnity against risk upon lives or upon property of any description (including rents and profits), whether against peril by sea or inland waters, or by fire or lightning, or other peril; the term “policy of insurance” includes any instrument by whatever name it is called whereby insurance is made or renewed or whereby obligations of the nature of indemnity for loss, damage, or liability are assumed by the insurer, such as binders, open policies, covering notes or policies; the term “premium” means the agreed price for assuming and carrying the risk and represents all that is receivable by the underwriter therefor, whether in one sum or in installments during the life of the policy; the term “United States” means only the States, Territories of Alaska and Hawaii, and the District of Columbia. (See Art. 5 for definition of “delivery.”)

ART. 2. **Effective date.**—The taxes imposed by section 503 become effective April 1, 1919. All taxes under this section are in lieu of the taxes imposed by section 504 of the Revenue Act of 1917, and attach to all insurance policies issued on and after April 1, 1919, and no tax will be asserted under any prior statute on any policy of insurance issued on and after that date, except that in the case of any tax imposed by any similar provision of the Revenue Act of 1917, such provision shall remain in force until April 1, 1919, the effective date of the new tax, and thereafter for the collection of any tax or penalty due thereunder and unpaid.

ART. 3. **Premiums charged on policies of insurance issued prior to April 1, 1919.**—In case of an assessment or charge in the nature of a premium, whether the same be the premium originally or additionally assessed or charged, under a policy of insurance issued on or after November 1, 1917, but prior to April 1, 1919, and assessed or charged prior to the latter date but collected subsequent to that date,

it shall be held to be a premium that accrued prior to April 1, 1919, and the tax shall be due thereon as of the issuance of the policy of insurance under the Revenue Act of 1917.

ART. 4. **Basis of tax.**—The tax is upon the “issuance of insurance policies.” An insurance policy is issued when it has become a binding and effective contract against the insurer. The insurance policy may consist of any contract whereby insurance is made or renewed or whereby obligations of the nature of indemnity for loss, damage, or liability are assumed by the insurer.

ART. 5. **Policies issued outside of United States.**—The tax imposed by section 503 and the stamp tax imposed by subdivision 15 of Schedule A of Title XI of the act are distinct from each other, but no policy is subject to both taxes. Policies issued outside of the United States, but not subject to the stamp tax, are taxed under section 503 of the act, upon their delivery within the United States by any agent or broker, whether acting for the insurer or the insured. (See art. 6 for policies subject to the stamp tax.) Delivery is held to mean any actual or physical delivery of the policy of insurance or any action or proceeding which is sufficient to effect a binding contract whereby insurance is made or renewed or whereby obligations in the nature of indemnity for loss, damage, or liability are assumed. It is not essential that delivery of a policy be made to the insured. If, by agreement or understanding, the agent of the insurer or any other person is allowed to retain the policy which has been issued, such holder of the policy will be regarded as holding the same for the insured and delivery will be considered as complete.

Subdivision 15 of Schedule A of Title XI of the Act reads as follows:

On each policy of insurance, or certificate, binder, covering note, memorandum, cablegram, letter, or other instrument by whatever name called whereby insurance is made or renewed upon property within the United States (including rents and profits) against peril by sea or on inland waters or in transit on land (including transshipments and storage at termini or way points) or by fire, lightning, tornado, windstorm, bombardment, invasion, insurrection, or riot, issued to or for or in the name of a domestic corporation or partnership or an individual resident of the United States by any foreign corporation or partnership or any individual not a resident of the United States, when such policy or other instrument is not signed or countersigned by an officer or agent of the insurer in a State, Territory, or district of the United States within which such insurer is authorized to do business, a tax of 3 cents on each dollar, or fractional part thereof, of the premium charged: *Provided*, That policies of reinsurance shall be exempt from the tax imposed by this subdivision.

ART. 6. **When insurance issued abroad subject to stamp tax.**—Any policy or other instrument whereby insurance is made or renewed upon property within the United States, issued by any foreign corporation or partnership or any individual not a resident of the United States, if not signed or countersigned by an officer or agent of the insurer in the State, Territory, or district of the

United States within which such insurer is authorized to do business, is liable to the stamp tax imposed by subdivision 15 of Schedule A of Title XI. (See art. 2.) It should be noted that the stamp tax applies only to policies of insurance upon property within the United States, issued to or for or in the name of a domestic corporation or partnership or any individual not a resident of the United States, and that any policy in the nature of life or other nonproperty insurance is taxable under the provisions of section 503 of the act.

ART. 7. Residence of insured.—The tax is imposed upon policies issued within the United States, irrespective of the residence of the insured in either the United States or in a foreign country.

ART. 8. Who is liable for the tax.—The insurer, and not the insured (or broker who places a risk for a client with an insurer), is liable for the payment of the tax; but in the case of policies issued outside the United States (except those taxable under subdivision 15 of Schedule A of Title XI) and delivered within the United States by any agent or broker, whether acting for the insurer or the insured, the insurer, or agent, or broker is liable for the payment of the tax. See article 5 for definition of "delivery." Any agent or broker through whom insurance is placed with a foreign insurance company becomes liable to the tax upon the making of the contract of insurance, whether notification is made by him to the insured or by the foreign insurance company directly. In the case of policies taxable under subdivision 15 of Schedule A of Title XI, both the insurer or agent or broker and the insured are responsible to the Government for affixing and canceling stamps in the required amount. (See Regulations 55, art. 158.)

LIFE INSURANCE.

(a) Life insurance: A tax equivalent to 8 cents on each \$100 or fractional part thereof of the amount for which any life is insured under any policy of insurance, or other instrument, by whatever name the same is called: *Provided*, That on all policies for life insurance only by which a life is insured not in excess of \$500, issued on the industrial or weekly or monthly payment plan of insurance, the tax shall be 40 per centum of the amount of the first weekly premium or 20 per centum of the amount of the first monthly premium as the case may be: *Provided further*, That on policies of group life insurance, covering groups of not less than 25 lives in the employ of the same person, for the benefit of persons other than the employer, the tax shall be equivalent to 4 cents on each \$100 of the aggregate amount for which the group policy is issued and of any net increase in the amount of the insurance under such policy: *And provided further*, That on all policies covering life, health, and accident insurance combined in one policy by which a life is insured not in excess of \$500, issued on the industrial, or weekly or monthly payment plan of insurance, the tax shall be 40 per centum of the amount of the first weekly premium, or 20 per centum of the amount of the first monthly premium, as the case may be.

ART. 9. Computation of tax.—The tax is equivalent to 8 cents on each \$100 or fractional part thereof of the amount for which any life is insured under any policy of insurance. The amount for which

any life is insured, except in the case of group insurance, is the amount to be paid in case of death at any time for any ordinary cause regardless of special contingencies.

ART. 10. Insurance issued in compliance with privilege of conversion.—A certificate or other instrument, by whatever name the same is called, issued to a policy holder evidencing additional insurance which he is entitled to under an option in the policy of insurance which is taken instead of a cash dividend is not a policy of insurance or other instrument that is taxable within the meaning of this section.

ART. 11. Industrial or weekly or monthly payment plan.—Life insurance by which a life is insured not in excess of \$500, on the industrial or weekly or monthly payment plan of insurance is taxable upon the issuance of policies and the tax is measured by the first weekly or monthly premium charged on all such policies of insurance and is 40 per centum of the first weekly premium or 20 per centum of the first monthly premium, as the case may be. Where the policy upon the industrial plan of payment exceeds \$500 the tax is 8 cents on each \$100 or fractional part thereof of the amount for which the life is insured.

ART. 12. Group life insurance.—In the case of group life insurance, covering groups of not less than 25 lives in the employ of the same person, for the benefit of persons other than the employer, the tax is imposed upon the issuance of each policy of insurance and is measured by the aggregate amount for which the group policy is issued and any net increase in the amount of the insurance under such policy being equivalent to 4 cents on each \$100 thereof; that is to say, the measure of tax is, first, the aggregate amount for which the group policy is issued and, second, any net increase in the amount of the insurance under such policy. The words "net increase" shall, for the purposes of the tax, be held to mean any subsequent net increase in the amount of insurance for which the group policy is issued; for instance, if the amount for which the group policy is issued suffers a net increase in the amount of insurance covered thereby, the sum of such net increase and the amount for which the policy was originally issued shall be the basis for the purpose of measuring the tax under such policy, and if such policy shall again suffer a net increase beyond the amount last established, such new net increase shall be the measure of additional tax; but no refund of tax will be allowed for any decrease from any net increase or the amount of insurance provided for under such a policy of insurance; the "amount for which any life is insured" in the case of group insurance is the aggregate amount for which the policy is issued whether such amount be named in the policy or some other instrument having reference to the policy or supplemental thereto.

ART. 13. Life, health, and accident insurance.—In the case of life, health, and accident insurance combined in one policy by which a

life is insured not in excess of \$500, on the industrial or weekly or monthly payment plan of insurance, the tax is imposed upon the issuance of all policies of either plan and is measured by the first weekly or monthly premium charged on all such policies of insurance in an amount equivalent to 40 per centum of the amount of the first weekly premium or 20 per centum of the amount of the first monthly premium, as the case may be. Combined policies of life, health, and accident insurance, in an amount in excess of \$500, are taxable (a) as separate contracts if the premium charged is expressly apportioned and (b) as both casualty policies and life policies if the premium charged is greater than for either kind of insurance separately and is not apportioned.

MARINE, INLAND, AND FIRE INSURANCE.

(b) Marine, inland, and fire insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or other instrument by whatever name the same is called whereby insurance is made or renewed upon property of any description (including rents or profits), whether against peril by sea or inland waters, or by fire or lightning, or other peril;

ART. 14. **Computation of tax.**—In the case of marine, inland, and fire insurance the tax is imposed upon the issuance of each policy of insurance and is measured by the premium charged under each policy of insurance, and is equivalent to 1 cent on each \$1 or fractional part thereof of the premium charged, and of any additional assessment or charge in the nature of a premium upon insurance made or renewed; for example, upon a premium charge of \$10.10 the tax imposed is 11 cents, being 1 cent for each dollar and 1 cent for the fractional part of a dollar. The tax attaches to the full amount of the premium charged even though at a later date a portion of the amount may be returned to the insured as a dividend or other net saving of premium. A note given to a mutual insurance company to cover the maximum liability of the insured, not in payment of premiums or assessments but as a form of security for the payment of assessments as they are made, the exact amount of the premium to carry the insurance not being definitely known, should not be the basis of assessment of the tax, but the tax should in such a case be computed upon the amount of the assessments as they are made. Where mutual or cooperative companies require from policyholders upon the issuance of policies (a) so-called premium deposits largely in excess of the estimated cost of the insurance and refund the excess over the actual cost upon the expiration of the policy of insurance, or (b) notes evidencing the estimate of the policyholder's liability and also a cash percentage of the notes representing as nearly as may be the cost of the insurance, the tax should originally be paid upon the estimated premium on each policy com-

puted on an experience basis subject to final adjustment of the tax by debit or credit, as the case may be, in the return for the month when the premium is determined.

ART. 15. Premium charged.—The premium charged is the total premium payable during the life of the contract of insurance and includes any additional assessments or charges in the nature of a premium which may be assessed or charged during the life of the contract of insurance whether payable in one sum or installments, and however paid.

ART. 16. Binders.—On binders or other instruments issued without a definite agreement as to the premium to be charged the tax attaches when the amount of the premium is determined. If the premium is charged at the time the binder is issued the tax immediately attaches; and if the binder is divided into a number of different policies, issued by separate insurers as direct insurance, each insurer must make return with respect to the proportion of the premium charged by it.

ART. 17. Insurance on commodities exported.—No tax is imposed upon the premium charged for insurance issued to cover commodities which are in the actual process of exportation and which have begun their voyage or preparation for the voyage from the United States. If a policy of insurance or other instrument is issued covering both export and nonexport property, the tax will be computed upon the full amount of the premium charged, unless such instrument clearly indicates the property for export and the premium charged for the insurance thereon.

CASUALTY INSURANCE.

(c) Casualty insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or obligation of the nature of indemnity for loss, damage, or liability (except bonds and policies taxable under subdivision 2 of schedule A of Title XI) issued or executed or renewed by any person transacting the business of employer's liability, workmen's compensation, accident, health, tornado, plate glass, steam boiler, elevator, burglary, automatic sprinkler, automobile, or other branch of insurance (except life insurance, and insurance described and taxed in the preceding subdivision): *Provided*, That in case of policies of insurance issued on the industrial or weekly or monthly payment plan the tax shall be 40 per centum of the amount of the first weekly premium or 20 per centum of the amount of the first monthly premium, as the case may be;

ART. 18. Scope of tax.—For the purpose of the tax casualty insurance includes every policy of insurance or obligation of the nature of indemnity for loss, damage, or liability issued or executed or renewed by any person transacting any kind of insurance except life insurance and insurance described and taxed in the preceding subdivision, and except bonds and policies taxable under subdivision (2) of schedule

A of Title XI. The subdivision (2) of schedule A referred to reads as follows:

Bonds, indemnity and surety: On all bonds executed for indemnifying any person who shall have become bound or engaged as surety, and on all bonds executed for the due execution or performance of any contract, obligation, or requirement, or the duties of any office or position, and to account for money received by virtue thereof, and on all policies of guaranty and fidelity insurance, including policies guaranteeing titles to real estate and mortgage guarantee policies, and on all other bonds of any description, made, issued, or executed, not otherwise provided for in this schedule, except such as may be required in legal proceedings, 50 cents: *Provided*, That where a premium is charged for the issuance, execution, renewal or continuance of such bond the tax shall be 1 cent on each dollar or fractional part thereof of the premium charged: *Provided further*, That policies of reinsurance shall be exempt from the tax imposed by this subdivision.

See Regulations 55 regarding stamp taxes imposed by Title XI.

ART. 19. Computation of tax.—In the case of policies issued under paragraph (c) the tax imposed upon the issuance of each policy of insurance is measured by the premium charged and is equivalent to 1 cent on each dollar or fractional part thereof of the premium charged or of any additional assessment or premium charge upon any policy of insurance.

ART. 20. Industrial or weekly or monthly payment plan.—In the case of casualty insurance on the industrial or weekly or monthly payment plan, the tax is imposed upon the issuance of all policies under either plan and is measured by the first weekly or monthly premium charged on all such policies of insurance in an amount equivalent to 40 per centum of the amount of the first weekly premium, or 20 per centum of the amount of the first monthly premium, as the case may be.

EXEMPTIONS.

(d) Policies issued by any corporation enumerated in section 231, and policies of reinsurance, shall be exempt from the taxes imposed by this section.

ART. 21. Insurers exempt from tax.—Insurers exempt from income tax under section 231 of the act are also exempt from the payment of the excise tax upon the issuance of insurance policies imposed by section 503. Policies of insurance issued by farmers' or other mutual hail, cyclone, or fire insurance companies or like organization of purely local character, the income of which consists solely of assessments, dues and fees collected from members for the sole purpose of meeting expenses are not subject to the excise tax. Where a farmers' or other mutual, hail, cyclone, fire, or other insurance company is not of a purely local character or has income from investments in bonds, mortgages, etc., it is not exempt from income tax and accordingly is not exempt from the excise tax imposed by section 503. A fraternal beneficiary society, order, or association operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating

under the lodge system and providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents is exempt from income tax and also from the excise tax.

ART. 22. Reinsurance.—The tax does not attach on amounts charged as premiums on policies of reinsurance. When an insurer reinsures the risk of another insurer the transaction is termed reinsurance and is not taxable.

ART. 23. War Risk Insurance Bureau.—The tax imposed by section 503 of the act does not apply to soldiers' and sailors' insurance written by the War Risk Insurance Bureau.

RETURN AND PAYMENT OF TAX.

SEC. 504. That every person issuing policies of insurance upon the issuance of which a tax is imposed by section 503 shall make monthly returns under oath, in duplicate, and pay such tax to the collector of the district in which the principal office or place of business of such person is located. Such returns shall contain such information and be made at such times and in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per centum, together with interest at the rate of 1 per centum for each full month, from the time when the tax became due.

SEC. 509. That the Commissioner, with the approval of the Secretary, * * * may by regulation provide that any return required by Titles V * * * to be under oath may, if the amount of the tax covered thereby is not in excess of \$10, be signed or acknowledged before two witnesses instead of under oath.

ART. 24. Monthly returns.—Any insurer, agent, or broker, liable for the tax imposed by section 503 of the act must make return each month, and under oath (unless the amount of the tax covered thereby is not in excess of \$10, in which case the return may be signed or acknowledged before two witnesses instead of under oath), to the collector of internal revenue for the district in which the principal place of business of said insurer, agent, or broker is located; except that in the case of insurers having more than one department and located in different collection districts each department will be permitted to make return for the business transacted by it to the collector of the district in which the department is located; but it is desirable to prevent multiplicity of reports so far as possible.

ART. 25. Date when due.—The amount of tax is to be computed upon the premiums charged under each policy, the reports of which were received by the insurer at its principal place of business (or at the place of business of the department of the insurer making a separate return to the collector for the district wherein such department is located), during the month for which the return is made; and the return for each month is to be rendered and the tax paid on

or before the last day of the succeeding month covering taxes accruing during the preceding month. It is not necessary to delay a return until all the policies issued during the month have been entered upon the books of the insurer, but the insurer's records should disclose policies reported whereon premiums have been charged to the last day of the month for which the return is made.

ART. 26. Forms.—The return is to be made on Form 730 (revised) and blank forms for making return may be had upon application to the commissioner or to the collector of internal revenue of any district.

ART. 27. Taxpayer's records.—Only the gross tax returnable, the total credits, and the net amount of tax payable should be entered in the return. It is not necessary to show the name and address of each person to whom a policy is issued, nor is it necessary to submit a list of all cancellations, returned premiums, or overpayments for which credit is claimed on the return; but each insurer must keep his records and accounts in such manner as to afford an easy method of examination and verification of the correctness of each return as made.

ART. 28. Payment of tax.—The remittance of the amount of the tax must accompany the return as and when made.

CREDITS AND REFUNDS.

Sec. 1310. (a) That in the case of any overpayment or overcollection of any tax imposed by section 628 or 630 or by Title V, Title VIII, or Title IX, the person making such overpayment or overcollection may take credit therefor against taxes due upon any monthly return, and shall make refund of any excessive amount collected by him upon proper application by the person entitled thereto.

ART. 29. Credit for overpayment.—A taxpayer may take credit in a subsequent month's return for any overpayment of tax for a prior month. Where a policy has been issued upon which there was charged an amount of premium which is afterwards determined to have been incorrect, and refund is made of the amount of the excess premium paid, the taxpayer may deduct from the tax return of a subsequent month the amount of tax previously paid upon the portion of the premium so returned. Where a policy of insurance has been issued and tax paid upon the premium charged and such policy is, according to law or the term of the contract of insurance, afterwards canceled and the unearned portion of the premium charged is returned to the insured, the taxpayer may deduct from the tax return of a subsequent month the amount of tax previously paid upon the portion of the premium so returned. If a policy of insurance issued prior to April 1, 1919, and thus taxed under section 504 of the Revenue Act of 1917 is canceled on or after that date, credit

may be taken in the same manner as though the policy of insurance had been issued on or after April 1, 1919. But any other claim for refund of tax paid under the 1917 Act will continue to be made on Form 46. In case an error or omission is discovered in any prior month's return, the amount of the tax found to be due because of such error or omission shall be included in the return for the month in which the discovery of error or omission is made. Reinsurance premiums are not subject to the tax, and return payment premiums or cancellations on same are not to be considered as credits.

EXTENSION OF EXISTING STATUTES.

Subdivision (b) of Section 1400 of Title XIV.—General Provisions of the Act reads as follows:

SEC. 1400 (b). Such parts of Acts shall remain in force for the assessment and collection of all taxes which have accrued thereunder, and for the imposition and collection of all penalties or forfeitures which have accrued and may accrue in relation to any such taxes * * *.

* * * In the case of any tax imposed by any part of an Act herein repealed, if there is a tax imposed by this Act in lieu thereof, the provision imposing such tax shall remain in force until the corresponding tax under this Act takes effect under the provisions of this Act.

SEC. 1305. That all administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this Act, and every person liable to any tax imposed by this act, or for the collection thereof, shall keep such records and render, under oath, such statements and returns, and shall comply with such regulations as the Commissioner, with the approval of the Secretary, may from time to time prescribe.

Whenever in the judgment of the Commissioner necessary he may require any person, by notice served upon him, to make a return or such statements as he deems sufficient to show whether or not such person is liable to tax.

The Commissioner, for the purpose of ascertaining the correctness of any return or for the purpose of making a return where none has been made, is hereby authorized, by any revenue agent or inspector designated by him for that purpose, to examine any books, papers, records or memoranda bearing upon the matters required to be included in the return, and may require the attendance of the person rendering the return or of any officer or employee of such person, or the attendance of any other person having knowledge in the premises, and may take his testimony with reference to the matter required by law to be included in such return, with power to administer oaths to such person or persons.

ART. 30. **Requiring taxpayer to keep records, etc.**—In collecting the tax the commissioner has the benefit of all existing internal-revenue laws. In aid of the enforcement of the statute the commissioner may require any person subject to the tax to keep specified records, to render returns and statements as directed, to submit himself and his books to examination, and to comply with such regulations as may be prescribed.

MEDIUM OF PAYMENT OF TAX.

SEC. 1314. That collectors may receive, at par with an adjustment for accrued interest, certificates of indebtedness issued by the United States and uncertified checks in payment of income, war-profits and excess-profits taxes and any other taxes payable other than by stamp, during such time and under such regulations as the Commissioner, with the approval of the Secretary, shall prescribe; but if a check so received is not paid by the bank on which it is drawn the person by whom such check has been tendered shall remain liable for the payment of the tax and for all legal penalties and additions the same as if such check had not been tendered.

ART. 31. Payment of tax by uncertified checks.—Collectors may accept uncertified checks in payment of taxes, provided such checks are collectible at par; that is, for their full amount without any deduction for exchange or other charges. The collector will stamp on the face of each check before deposit the words "This check is in payment of an obligation to the United States and must be paid at par, no protest." with his name and title. The day on which the collector receives the check will be considered the date of payment so far as the taxpayer is concerned, unless the check is returned dishonored. If one check is remitted to cover two or more persons' taxes, the remittance must be accompanied by a letter of transmittal stating (*a*) the name of the drawer of the check; (*b*) the amount of the check; (*c*) the amount of any cash, money order, or other instrument included in the same letter of transmittal; (*d*) the name of each person whose tax is to be paid by the remittance; (*e*) the amount of the payment on account of each person; and (*f*) the kind of tax paid.

ART. 32. Procedure with respect to dishonored checks.—If the bank on which any such check is drawn should refuse to pay it at par, the check should be returned through the depository bank and be treated in the same manner as a bad check. All expenses incident to the attempt to collect such a check and the return of it through the depository bank must be paid by the drawer of the check to the bank on which it is drawn, since no deduction can be made from amounts received in payment of taxes. See section 3240 of the revised statutes. If any taxpayer whose check has been returned uncollected by the depository bank should fail at once to make the check good, the collector should proceed to collect the tax as though no check had been given. A taxpayer who tenders a certified check in payment for taxes is also not released from his obligation until the check has been paid. See chapter 191 of the act of March 2, 1911.

PENALTIES.

SEC. 501. * * * The tax shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per centum, together with interest at the rate of 1 per centum, for each full month, from the time when the tax became due.

Section 3176 of the United States Revised Statutes, as amended by section 1317 of the Revenue Act of 1918.

* * * In case of any failure to make and file a return or list within the time prescribed by law, or prescribed by the Commissioner of Internal Revenue or the collector in pursuance of law, the Commissioner of Internal Revenue shall add to the tax 25 per centum of its amount, except that when a return is filed after such time and it is shown that the failure to file it was due to a reasonable cause and not to willful neglect, no such addition shall be made to the tax. In case a false or fraudulent return or list is willfully made, the Commissioner of Internal Revenue shall add to the tax 50 per centum of its amount.

The amount so added to any tax shall be collected at the same time and in the same manner and as part of the tax unless the tax has been paid before the discovery of the neglect, falsity, or fraud, in which case the amount so added shall be collected in the same manner as the tax.

SEC. 1308. (a) That any person required under Titles V, VI, VII, VIII, IX, X, or XII, to pay, or to collect, account for and pay over any tax, or required by law or regulations made under authority thereof to make a return or supply any information for the purpose of the computation, assessment or collection of any such tax, who fails to pay, collect, or truly account for and pay over any such tax, make any such return or supply any such information at the time or times required by law or regulation shall in addition to other penalties provided by law be subject to a penalty of not more than \$1,000.

(b) Any person who willfully refuses to pay, collect, or truly account for and pay over any such tax, make such return or supply such information at the time or times required by law or regulation, or who willfully attempts in an any manner to evade such tax shall be guilty of a misdemeanor and in addition to other penalties provided by law shall be fined not more than \$10,000 or imprisoned for not more than one year, or both, together with the costs of prosecution.

(c) Any person who willfully refuses to pay, collect, or truly account for and pay over any such tax shall in addition to other penalties provided by law be liable to a penalty of the amount of the tax evaded, or not paid, collected, or accounted for and paid over, to be assessed and collected in the same manner as taxes are assessed and collected: *Provided, however,* That no penalty shall be assessed under this subdivision for any offense for which a penalty may be assessed under authority of section 3176 of the Revised Statutes, as amended, or of section 605 or 620 of this Act, or for any offense for which a penalty has been recovered under section 3256 of the Revised Statutes.

(d) The term "person" as used in this section includes an officer or employee of a corporation or a member or employee of a partnership, who as such officer, employee, or member is under a duty to perform the Act in respect of which the violation occurs.

AUTHORITY FOR REGULATIONS.

SEC. 1309. That the Commissioner, with the approval of the Secretary, is hereby authorized to make all needful rules and regulations for the enforcement of the provisions of this Act.

ART. 33. **Promulgation of Regulations.**—In pursuance of the statute the foregoing regulations are hereby made and promulgated, and all rulings inconsistent herewith are hereby revoked.

DANIEL C. ROPER,
Commissioner of Internal Revenue.

Approved September 6, 1919.

CARTER GLASS,
Secretary of the Treasury.

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